



**Mar
Ventures,
Inc.**

Real Estate & Technology

*Harbor Gateway
services note. also, what
is actual server fees due
on our Phase 1 retail site?
We really must get an update of
all Consultant fees for date with
estimated of how much it will take
to complete the ER*

MEMORANDUM

TO: Tom Overturf
Mario Stavale

FROM: Allan W. Mackenzie *AW*

RE: Harbor Gateway Center

DATE: July 3, 1996

*File: ER
allan m's
lamo. review*

This memorandum is design to provide a mid-year update on where we stand on the Harbor Gateway project. As you are aware, consultant selection started at the beginning of January, and the development was actually started at the beginning of February. We are therefore five months into the program.

- (1) Schedule: Based on the first schedule undertaken, that of January 15, 1996, we are substantially on schedule; this projected submittal of the first database on May 30, 1996 and City approval on July 17, 1996, with tentative map approval on May 28, 1997. Although we are somewhat behind more aggressive schedules done since then, designed to keep the consultant team pushing hard, we currently project (see below) the City completing their review of the first database in late July, and tentative map approval in late March/early April 1997. Recordation of final map is still planned for late 1997, enabling the scheduled sale to Vestar.
- (2) First Database: The database was delivered to the City on June 12, 1996, and based on a six week turn around would be completed on July 24, 1996. First database open issues include the following:
 - (A) Frank Eberhart has promised to provide expedited processing at a premium cost of approximately one-half person's salary (estimated \$50,000, the amount budgeted). However, we have not yet heard what his schedule commitment is or who he intends to allocate, and we are waiting for this information before any commitment is made or recommended.



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- (B) Results on our consultant review of the Lockheed Martin database and traffic report at the City. I am trying to ascertain.
 - (C) There may still be portions of the Phase I and Phase II reports still required by PCR.
 - (D) The database schedule could be changed if a decision is made by MDRC to provide a detail study of a stadium alternative.
- (3) Traffic Study: Open issues are as follows:
- (A) There have been lingering issues with the traffic model used. We were expected to get firm confirmation that this was acceptable to LADOT.
 - (B) The Lockheed Martin traffic study is being reviewed for consistency to ours, as requested by all reviewing agencies.
 - (C) Incorporation of a stadium alternative, analyzed on an equivalency basis, could affect the current schedule and costs.
 - (D) To more clearly analyze our ability to obtain financial incentives (see below), we will shortly need a more detailed analysis of offsite traffic improvement costs on an intersection by intersection basis.
- (4) Engineering:
- (A) The tentative map has been submitted as scheduled; no further action will be taken on this until the EIR is close to finalization, at which time the conditions of approval will be promulgated.
 - (B) As you are aware, the most significant engineering issue (apart from traffic) appears to be storm drainage, with the apparent need to import substantial quantities of material to raise building pads, in order that the hydraulic grade be achieved. Over the next several months, a plan



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should be developed to undertake this in a cost effective time; in our experience import in the area has ranged from \$0 to \$6 per cubic yard, and it is important to be able to take advantage of potential supply sources when they come available, as opposed to waiting until it is necessary to undertake the work. This may require providing stockpile areas and on-site inspection facilities, to ensure that the material is suitable. Another alternative would be to use the on-site crushing activities to allow contractors to dump, etc. on site; with crushing costs at approximately \$2 to \$3 per ton, a dump fee of this amount essentially provides free material. This could be worked out with the demo contractor.

(5) Private Utilities:

- (A) With deregulation for electricity anticipated January 1, 1998, the opportunity exists to seek competitive supplies to the site. The site is served by DWP, but Edison has adjacent facilities and has been working with Lockheed Martin for several months. With market rates for office facilities in the \$.10 to \$.13 per kilowatt hour (equating to approximately \$1.80 per square foot per year) and best rates to major customers in southern California in the \$.04 to \$.05 per kilowatt hour, substantial financial savings may be realized. Meetings with Mobil and Toyota suggest that best rates are achieved by corporate as opposed to geographic aggregation, since this provides controlled buying power as well as spreading the peak demand. MDRC should investigate whether this is feasible. Absent this, competitive negotiations should be entered into between DWP and Edison as soon as possible since the selection of ultimate supplier will impact and be determined by the cost and design of on-site facilities. Utility Specialists will interface.
- (B) A similar situation exists with telecommunications. An obvious need exists for high bandwidth (fiber optics) service to the entire site. Pacific Bell is the service provider, but GTE is two miles away and has indicated strong interest in serving the site. They are also MDRC's primary provider in Long Beach. The GTE Smart Park concept provides the best possible service, and this should be a primary area of focus in the second half of the year.

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- (6) Financial Incentives: The proposed approach for this has been somewhat hindered firstly by the lack of precedent in the City of Los Angeles, and secondly by the realization that as long as two competitive centers are planned, the City is unlikely to give preference to one versus the other. However, as you are aware, currently our status is the following:
- (A) It is believed that an approach which involves utilizing 50% of the incremental sales, business and utility taxes generated by the site development may be politically achievable based on experience in other communities and highly preliminary indications in written comments made by city staff on other projects. This would leave all the property tax increment and 50% of the above taxes for the City.
 - (B) Using this cash flow to service a Section 108 loan, never yet done in the City of Los Angeles, but widely used elsewhere, would result in a potential upfront payment of approximately \$10,000,000, although some credit enhancement would be required.
 - (C) In addition, a portion of the approximately \$3,000,000 offsite costs may fall under different potential infrastructure financing programs or existing funding commitments.
 - (D) Mark Briggs today has unearthed a new allocation of EDA defense conversion funds, hence the delay in his report. He will recommend asking for \$3,000,000 here.
 - (E) We anticipate verbally previewing our concepts with the City on July 12, 1996, but no formal application will be made until September when the Lockheed Martin situation will be cleaner.
- (7) Environmental: Although I have not been involved in the environmental, obviously the cost of it is a key ingredient of the proforma. However, based on our experience on the Golden Eagle Refinery in Carson (which was the first site to convince the RWQCB to use Risk Assessment as opposed to absolute clean-



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up levels, the first and only site to date to use air sparging instead of pump and treat, and the first and only site to date to obtain an Indemnity Agreement and Covenant Not to Sue running to the benefit of future property owners from the State of California), I would suggest the following:

- (A) The levels of groundwater contamination on your site are such that some remediation system will need to be done. They are higher than the area background levels.
 - (B) However, this should be based on a Risk Assessment, as opposed to absolute clean up levels.
 - (C) Alternative technologies, apart from the pump and treat facility anticipated, should be analyzed.
 - (D) I believe that your lead consultants should have experience in all these things, and in particular a proven relationship with Jim Ross of the RWQCB; alternatively, you might need to involve somebody like Michael Young to assist in these analyses.
- (8) Community Relations: As you know, we have had meetings with various community representatives, with the following results:
- (A) There appears to be very limited opposition to or concern about the project; this is partially a function of the site location and existing use, and partially a function of the make up of the nearby residents.
 - (B) We have agreed to provide some form of update newsletter, as well as undertake a survey of the homeowners association north of the site, to determine what specific concerns they might have with the project.
 - (C) We need to arrange an update presentation to Toyota and Allied Signal on development plans.
- (9) Marketing: Pending finalization of the Vestar deal and clarification of the Lockheed Martin, no sustained marketing effort has been made. However, the following items are in hand:

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- (A) At a pending meeting with the Mayor's office, we will discuss with them how the City of Los Angeles can help to expose this site to potential large users.
 - (B) We have talked about but have so far held off doing a marketing piece which could easily be disseminated.
 - (C) I have a number of ideas on marketing, and would like to discuss further.
- (10) Railroad Crossing: The Svorinich letter went out to Anschultz. I am assuming you will stay on top of this.
- (11) Administrative: I can still assist as required on project and job cost accounting.

I believe this covers the areas of the project in which I have been involved. All in all, the project seems to be proceeding reasonably well, and your consulting team appears to be effective. The biggest issues open to me are obviously the following:

- (1) Vestar proceeding ahead.
- (2) Meeting Vestar's needs, including the railroad crossing.
- (3) The environmental costs.
- (4) Maximizing the financial incentives.
- (5) Clarifying the relationship with Lockheed Marlin.
- (6) The determination of the stadium alternative.
- (7) Staying on schedule.
- (8) Marketing.